Q2 2018 – Conference Call
August 14th, 2018

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Thorsten Boeckers, CFO
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Q2 2018 Overview

Potash market supportive
Revenues and EBITDA up versus last year
Cash and cost discipline across the group
FCF and Net debt/EBITDA improved
Challenges: Production in Germany, product quality Bethune, FX, higher logistics costs

**Highlights**

- **EBITDA in €m**
  - Q2/17: 102
  - Q2/18: 105

<table>
<thead>
<tr>
<th>Main effects</th>
<th>Q2/17</th>
<th>Q2/18</th>
<th>Δ</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Bethune</td>
<td>29</td>
<td>29</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>-10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-45</td>
<td></td>
<td></td>
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</tbody>
</table>

**Financials**

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q2/17</th>
<th>Q2/18</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>742</td>
<td>812</td>
<td>+9%</td>
</tr>
<tr>
<td>t/o Potash</td>
<td>387</td>
<td>441</td>
<td>+14%</td>
</tr>
<tr>
<td>t/o Salt</td>
<td>316</td>
<td>327</td>
<td>+4%</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>-73</td>
<td>-92</td>
<td>-25%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>102</td>
<td>105</td>
<td>+3%</td>
</tr>
<tr>
<td>t/o Potash</td>
<td>71</td>
<td>91</td>
<td>+27%</td>
</tr>
<tr>
<td>t/o Salt</td>
<td>29</td>
<td>23</td>
<td>-20%</td>
</tr>
<tr>
<td>EBIT I</td>
<td>29</td>
<td>13</td>
<td>-53%</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>19</td>
<td>-9</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted EPS (€)</td>
<td>0.10</td>
<td>-0.05</td>
<td>-</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>117</td>
<td>59</td>
<td>-49%</td>
</tr>
<tr>
<td>Adj. free cash flow</td>
<td>-81</td>
<td>-49</td>
<td>+40%</td>
</tr>
<tr>
<td>CapEx</td>
<td>133</td>
<td>91</td>
<td>-31%</td>
</tr>
<tr>
<td>Net debt¹/EBITDA</td>
<td>8.1</td>
<td>6.8</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ LTM, including provisions.
Why are we not meeting market expectations?

- Some challenges are holding us back somewhat longer than expected
- Latest assessment of all findings is now reflected in our 2018 budget
- While guided range is still in line with our former wording (“significantly up”) ...
- ... our expectation for 2018 is now clearly below latest consensus
Bethune Has Come a Long Way ... With Success!

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Acquisition Potash One.</td>
</tr>
<tr>
<td>2013</td>
<td>Drilling of the first two production pads completed.</td>
</tr>
<tr>
<td>2015</td>
<td>Plant reaches full construction: ~ 1700 People on site.</td>
</tr>
<tr>
<td>2017</td>
<td>Plant operational and demonstrates ability to achieve two million tonnes/yr production capacity.</td>
</tr>
</tbody>
</table>

2018 and beyond

A) Stable production and continuous improvement of quality
B) Keeping on track - increasing production capacity & commencing secondary mining
**A Few Challenges Remain – Solutions on Their Way**

**VARIOUS ONE-TIME ISSUES**
Strike rail-workers, several short shutdows

**PRODUCT QUALITY**
- High K$_2$O content
- Hardness granulated product
- Caking issues (standard and granular)
  - Finetuning additives
  - Grinder pump (beg. 2019)
  - Cooling equipment (end 2019)

**GUIDANCE**
- Production 2018: 1.4 to 1.5 million tons
- D&A 10 to 15 million Euros/month
- Positive EBITDA in 2018
- EBIT break even in 2019
- Begin Secondary Mining in 2019 with 100 to 200K tons

- First greenfield mine in Saskatchewwan in 40 years -
- Going through a lot of “firsts” and we are learning how to adapt -
- Well experienced and highly motivated staff in place -
Werra: 100kt of lost production in Q2/18 (again)

- **Lack of staff / Illness rate:** open vacancies, high illness, lack of motivation
  
  Achievements so far: management changed, vacancies partly filled, illness rate halved
  
  Further measures: qualifying new staff, filling remaining vacancies, moving workers from SI, to be resolved by end of 2018

- **Machinery/Equipment:** extensive maintenance breaks led to downtimes in production
  
  Countermeasure: prioritized maintenance and replacement
  
  -> ongoing improvement, 50% to be fixed by end of 2018

- **Extraordinary low nutrient content (K₂O):** Crossing field with lower content at Unterbreizbach (UB)
  
  -> Effect resolved by the end of 2019

Neuhof: 50Kt of lost production in Q2/18

- **Geology issue:** low roof stability -> additional safety measures needed

- **Countermeasures:** new production technologies to be installed (by end Q3 2018)
In Germany we operate mature potash mines
Nutrient content (K\textsubscript{2}O) is diminishing
Overall impact 2018: 100Kt of product (annualized)

**Countermeasures: Operational Excellence (OpsEx)**
- Starting Operational Excellence program with a consultant
- Site-by-site investigation with management and consultants
- We have identified many opportunities to increase efficiency across all sites
- Start of implementation in 2019 to stabilize current production in Germany

=> Further details to be released at our CMD
Expected development of our Potash Production

- **Expected production 2018:**
  - Germany: 6.4 to 6.5mt
  - Bethune: 1.4 to 1.5mt
  - Huludao: 0.1mt

- **Expected Production 2019:**
  - Germany: 6.4 to 6.5mt
    - Sigmundshall: -0.6mt
    - K₂O-Content: -0.1mt
    - Improvement against 2018: +0.3mt
    - KCF: +0.1mt
  - Bethune: 1.7 to 1.9mt
  - Huludao: 0.1mt

=> OpsEx Program to compensate declining nutrient content after 2020
Partial closure of Sigmundshall Potash Mine

- Provisioned for the closure of the Sigmundshall Potash Mine in 2017
- Since redundancy program was finalized and dismissals announced, operating procedures disturbed.
- Retention payments of €7m throughout H2 securing orderly closure
- However, production in H2 2018 will be affected
- We expect the EBITDA contribution of Sigmundshall in the magnitude of about minus 20 million Euros in 2018
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Shift to lower priced products/markets – Impact on ASP

- **MOP vs. Specialties**
  - Ramp-up of Bethune leading to higher share of lower priced MOP compared to our specialties

- **Regional Mix**
  - Current MOP market price increases not fully reflected in K+S product portfolio due to increasing volumes shipped to China
May – July rainfall vs water temperature on a 5-yr comparison (Werra)

Impact on K+S

- Lack of rainfall leads to low water levels
  - Production in August secured due to KCF, basin capacities, and countermeasures
  - More intensive use of additional measures causing higher logistics costs in the amount of c. € 20m in 2018
- Inland shipping is already affected
- Tangible impact on capacities (ships only 50% loaded)
  - Partly higher logistics costs due to different routing and surcharges
- Impact on farmers’ yield still not clear

Source: Wetterkontor.de
Problems have been discovered and addressed
However, challenges in Germany are holding us back somewhat longer than expected
The entire management team has started working off the list
Bottom-up findings of our Shaping 2030 strategy have disclosed cost-cutting and efficiency potential
Guidance 2018: EBITDA between € 660 – 740m

Main effects:
+ Bethune
+ Potash volumes (weather related)
+ Tangibly higher salt volumes

Main effects:
- Planning assumption: 1.21 EUR/USD

Main effects:
+/- Sigmundshall
- Production issues
- Logistics costs
- Bethune
- Shaping 2030

Full year guidance is not including weather-related outage days

Cash unit cost per ton (2017: 214€/t) likely to be in the range of 205-210€/t in 2018
Backup
### Additional information on Outlook FY 2018\(^1\)

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate</td>
<td>~26-28%</td>
</tr>
<tr>
<td>Financial result</td>
<td>~-110 to -120 million EUR</td>
</tr>
<tr>
<td>CapEx</td>
<td>below 600 million EUR</td>
</tr>
<tr>
<td>D&amp;A (incl. Bethune)</td>
<td>380 to 400 million EUR</td>
</tr>
<tr>
<td>Reconciliation (EBITDA)</td>
<td>~-60 to -70 million EUR</td>
</tr>
<tr>
<td>Production outages (based on normal rainfall)</td>
<td>~0 days</td>
</tr>
</tbody>
</table>

### FY 2018 Guidance mainly determined by:

- Ramp-up at Bethune
- Capacity utilization at German plants
- Winter conditions in Q4
- FX and potash price development
- Cash unit cost per ton in PMP between 205-210€/t

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\(^1\) Incl. ~4mt of potassium sulphate and potash grades with lower mineral content
**Market**
- Good demand across all regions prevailing
- In H1 imports to China up 14%, to India 20%, and to Brazil on last year’s high level
- Many producers are sold out towards the end of the year
- Recovery of MOP prices continued
- Specialty-prices remain strong

**Financials**
- ASP slightly higher than last year:
  - Positive market price development
  - However, product mix (more product from Bethune) and FX burdening ASP
- EBITDA 27% up YoY, mainly due to higher volumes and prices
- Cash unit costs flat YoY due to high cost discipline, despite production issues
**Non de-icing**
- Revenues slightly up (+3%)
- Volumes at 2.51 million tons compared to 2.26 million tons in Q2/17
- ASP at €108 (Q2/17: €119)
  - Greater share of lower yielding industrial salt products
  - Negative FX impact

<table>
<thead>
<tr>
<th></th>
<th>Q2/17</th>
<th>Q3/17</th>
<th>Q4/17</th>
<th>Q1/18</th>
<th>Q2/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>32</td>
<td>77</td>
<td>61</td>
<td>83</td>
<td>54</td>
</tr>
<tr>
<td>Food processing</td>
<td>106</td>
<td>271</td>
<td>276</td>
<td>262</td>
<td>34</td>
</tr>
<tr>
<td>Industrial salt</td>
<td>106</td>
<td>271</td>
<td>276</td>
<td>262</td>
<td>34</td>
</tr>
<tr>
<td>Chemical salt</td>
<td>106</td>
<td>271</td>
<td>276</td>
<td>262</td>
<td>34</td>
</tr>
</tbody>
</table>

**De-icing**
- Increase in demand both in NA and EU
- However, sales were partly still on old contracts with lower prices
- Biddings underway, supportive indications for next season

*Biddings regionally by percentage of completion*
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadshow Frankfurt with CEO, KeplerCheuvreux</td>
<td>15 August 2018</td>
</tr>
<tr>
<td>Roadshow London with CFO, UBS</td>
<td>15 August 2018</td>
</tr>
<tr>
<td><strong>Capital Markets Day in Bethune, Canada (save-the-date)</strong></td>
<td><strong>5 September 2018</strong></td>
</tr>
<tr>
<td>Roadshow US West Coast, Commerzbank</td>
<td>7 September 2018</td>
</tr>
<tr>
<td>Roadshow Boston, Scotiabank</td>
<td>7 September 2018</td>
</tr>
<tr>
<td>Berenberg Food &amp; Chemicals Conference, London</td>
<td>12 September 2018</td>
</tr>
<tr>
<td>Credit Suisse Annual Basic Materials Conference, New York</td>
<td>12/13 September 2018</td>
</tr>
<tr>
<td>Goldman Sachs/Berenberg German Corporate Conference, Munich</td>
<td>24/25 September 2018</td>
</tr>
<tr>
<td>Baader Investment Conference, Munich</td>
<td>26 September 2018</td>
</tr>
<tr>
<td>Bernstein Annual Strategic Decisions CEO Conference, London</td>
<td>27 September 2018</td>
</tr>
<tr>
<td><strong>2018 Annual Report</strong></td>
<td><strong>14 March 2019</strong></td>
</tr>
</tbody>
</table>
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